



FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 360

RIN 3064-AF05

Resolution Plans Required for Insured Depository Institutions with \$50 Billion or More in Total Assets

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Advance notice of proposed rulemaking.

SUMMARY: The FDIC invites comments on this advance notice of proposed rulemaking (ANPR) concerning how to tailor and improve its rule requiring certain insured depository institutions to submit resolution plans.

DATES: Comments must be received by [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments, identified by RIN 3064-AF05, by any of the following methods:

- *Agency Website:* <https://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments on the Agency web site.
- *Email:* Comments@FDIC.gov. Include “RIN 3064-AF05” on the subject line of the message.
- *Mail:* Robert E. Feldman, Executive Secretary, Attention: Comments/RIN 3064-AF05, Federal Deposit Insurance Corporation, 550 17th Street NW, Washington, DC, 20429.

- *Hand Delivery/Courier:* Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m.

All comments received must include the agency name (FDIC) and RIN 3064-AF05 and will be posted without change to <http://www.fdic.gov/regulations/laws/federal>, including any personal information provided.

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SUPPLEMENTARY INFORMATION:

I. Introduction

The FDIC is undertaking a review of its rule requiring certain insured depository institutions (IDIs) to submit resolution plans (IDI Rule).¹ This ANPR is part of that review process. The FDIC is considering how to tailor and improve the IDI Rule, as described below. Specifically, the FDIC invites comments on certain approaches under consideration: (1) creation of tiered resolution planning requirements based on institution size, complexity, and other factors; (2) revisions to the frequency and required content of plan submissions, including elimination of plan submissions for a category of smaller and

¹ 12 CFR 360.10.

less complex IDIs; and (3) improvements to the process for periodic engagement between the FDIC and institutions on resolution-related matters. The FDIC is also seeking comment on whether to revise the \$50 billion asset size threshold in the IDI Rule.

The FDIC is currently considering several approaches for revising the IDI Rule. Specifically, under one alternative approach, the FDIC is considering categorizing IDIs subject to the IDI Rule into three groups. The IDIs in the first group, Group A (as defined below), comprising the largest and most complex IDIs, would be required to submit Resolution Plans (as defined below) with content requirements that would be streamlined compared to the current IDI Rule. IDIs in the second group, Group B (as defined below), which would include larger, more complex regional IDIs, would be required to submit further streamlined Resolution Plans, reduced in content compared to the Resolution Plans required for Group A. The IDIs in the third group, Group C (as defined below) would be smaller and less complex than those in Group A or Group B, and would no longer be required to submit Resolution Plans. The FDIC would engage with Group A, Group B, and Group C IDIs on a periodic basis regarding a limited number of items related to resolution planning; these IDIs also would continue to be subject to periodic testing of certain capabilities relating to resolution planning and implementation.

Under a second alternative approach, the FDIC is considering grouping IDIs subject to the IDI Rule into two groups: larger IDIs (comprising Group A and Group B IDIs) and Group C IDIs. Larger IDIs would be required to submit Resolution Plans with streamlined content requirements individually targeted to each institution's size, complexity, and other factors related to resolvability. For example, where a complex, larger IDI operates multiple business lines involving affiliated, interconnected legal

entities and an extensive, globally dispersed branch network, the Resolution Plan for this large IDI would provide relatively greater content on complexity and cross-border elements. For a larger IDI that has a simpler footprint with minimal cross-jurisdictional exposures, the relevant content requirements would be streamlined or omitted. As in the first alternative approach, the IDIs in Group C would no longer be required to submit Resolution Plans. Also as in the first alternative approach, the FDIC would engage with larger IDIs and Group C IDIs on a periodic basis regarding a limited number of items related to resolution planning; these IDIs also would continue to be subject to periodic testing of certain capabilities relating to resolution planning and implementation.

II. Background

A. The IDI Rule

The IDI Rule was proposed in 2010² and became effective in 2012.³ The IDI Rule requires IDIs with \$50 billion or more in total assets (covered insured depository institutions or CIDs) to periodically submit plans (Resolution Plans) that should enable the FDIC, as receiver, to resolve the CIDI in the event of its insolvency under the Federal Deposit Insurance Act (FDI Act) in a manner that ensures that depositors receive access to their insured deposits within one business day of the CIDI's failure (two business days if the failure occurs on a day other than Friday), maximizes the net present value return from the sale or disposition of its assets, and minimizes the amount of any loss realized by the creditors in the resolution.

The FDIC proposed the IDI Rule in response to challenges identified in the resolution of IDIs during the 2008 financial crisis, prior to enactment of the Dodd-Frank

² 75 FR 27464 (May 17, 2010).

³ Interim Final Rule, 76 FR 58379 (September 21, 2011) and Final Rule, 77 FR 3075 (January 23, 2012).

Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The IDI Rule was intended to ensure that the FDIC has timely access to information concerning a CIDI's structure, operations, business practices, financial responsibilities, and risk exposure, which the FDIC would need to handle a resolution of a CIDI under the FDI Act.

Separate from the FDI Act and IDI Rule requirements, section 165(d) of the Dodd-Frank Act mandates that certain bank holding companies and nonbank financial companies (Covered Companies) submit resolution plans (DFA Resolution Plans) for the rapid and orderly resolution of the Covered Company under the U.S. Bankruptcy Code.⁴ DFA Resolution Plans have a specific goal different from that of Resolution Plans under the IDI Rule: to reduce the likelihood that the financial distress or failure of a Covered Company would have serious adverse effects on financial stability in the United States. The interim final IDI Rule and the final rule regarding DFA Resolution Plans (Section 165(d) Rule)⁵ were issued concurrently with aligned asset thresholds for CIDs and Covered Companies. Since then, the Dodd-Frank Act has been amended to revise the threshold for DFA Resolution Plans.⁶

Since issuing the final IDI Rule, 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 has gained an understanding of the resources, internal and external, that CIDs expend in meeting the

⁴ The DFA Resolution Plan of a foreign-based Covered Company provides for the resolution of its U.S. operations and entities.

⁵ 12 CFR parts 243 & 381; 76 FR 67323 (January 23, 2012). On April 8 and 16, 2019, respectively, the Board of Governors of the Federal Reserve System and the FDIC's Board of Directors considered proposed amendments to the Section 165(d) Rule to reflect improvements identified during the eight years the Section 165(d) Rule has been in effect and to address amendments to the Dodd-Frank Act made by the Economic Growth, Regulatory Relief, and Consumer Protection Act.

⁶ Economic Growth, Regulatory Relief, and Consumer Protection Act, Sec. 401, Pub. L. 115-174, 132 Stat. 1296. See further discussion in section II.E.3. below.

requirements of the IDI Rule. The FDIC has also gained additional resolution capabilities relevant to CIDI resolution through rulemakings subsequent to the issuance of the IDI Rule that provide information related to that called for under the IDI Rule. Given what the FDIC has learned, now is an appropriate time to review the IDI Rule in light of these changes.

B. Distinctions between IDI Rule and Section 165(d) Rule

Though the IDI Rule and the Section 165(d) Rule both require planning for resolution of large, complex financial institutions to minimize the cost and disruption of failures, resolution planning under the two rules involves distinct entities, objectives, and legal frameworks. The IDI Rule applies only to IDIs and involves resolution under the FDI Act by the FDIC. The Section 165(d) Rule focuses on the resolution of Covered Companies. Currently, all Covered Companies are bank holding companies, which would be resolved under the U.S. Bankruptcy Code.

The IDI Rule's objective is to ensure that the FDIC can effectively resolve a CIDI under the FDI Act, protecting its insured depositors and the Deposit Insurance Fund (DIF) and maximizing value for the benefit of creditors of the CIDI. The Section 165(d) Rule's aim is ensuring that the bankruptcy of a Covered Company can be accomplished 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.

Under an FDI Act resolution, a CIDI's legal existence would terminate upon entry into resolution, and its management would not control the resolution. By contrast, under the resolution strategies used in the DFA Resolution Plans, a Covered Company in

bankruptcy generally could continue its corporate existence, in which case some of its most senior management may remain in place to manage the reorganization.

The largest, most complex U.S. firms and a number of foreign-based banking organizations present a single point of entry resolution strategy in their DFA Resolution Plans. The single point of entry resolution strategy does not anticipate that an IDI subsidiary will enter resolution proceedings; instead an explicit goal of the single point of entry strategy is to keep certain material subsidiaries, including each IDI subsidiary, open and operating. However, the single point of entry strategy remains untested, and may not be available under all failure scenarios. For those reasons, a separate plan for the CIDI is important.

For other DFA Resolution Plan filers where a single point of entry resolution strategy is not proposed, especially in cases in which the vast majority of the consolidated firm's total assets and business lines are within the IDI, IDI resolution is likely to be a component of any resolution involving the Covered Company.

C. Resolutions under the FDI Act

The FDIC is charged by Congress with the responsibility for insuring the deposits of IDIs in the United States and with serving as receiver of such institutions following failure. To fulfill its responsibilities, the FDIC has developed strategies and capabilities to manage the failure of any IDI. Since 2008, the FDIC has served as receiver for over 525 failed IDIs. These failures caused the DIF temporarily to become insolvent and threatened its liquidity, yet the FDIC remained able to discharge its duties through collection of prepaid and special assessments and recoveries from failed bank receiverships. Appropriate resolution planning is important to ensure that the FDIC

maintains the capabilities required to ensure depositors have access to insured deposits as soon as possible and to minimize potential losses to the DIF and other creditors. The FDIC's primary resolution strategies for resolving an IDI are outlined below.

1. The Purchase and Assumption Transaction

Approximately 95 percent of resolutions conducted by the FDIC since 2007 involved the sale of the IDI's franchise and assets to an open institution in an assisted transaction, generally involving a single acquirer assuming nearly all of the failed IDI's liabilities. This transaction, termed a purchase and assumption or "P&A" transaction, is often both the easiest for the FDIC to execute and the least disruptive to the depositors of the failed IDI. This is especially so where the transaction involves the assumption of all the failed IDI's deposits by the assuming institution (an all-deposit transaction).

The P&A option is not always available to the FDIC. P&A transactions require lead time to identify potential buyers and allow investigation and auction of the failing IDI's assets and banking business, also termed its franchise. These transactions may only be conducted following a determination, required by statute, that such transaction results in the least cost to the DIF of all possible resolution options,⁷ including paying out the insured deposits of the failed IDI.

2. Other Resolution Strategies

If no P&A transaction that meets the least costly resolution requirement can be accomplished, the FDIC must pursue an alternative resolution strategy. The primary alternative resolution strategies are the payout liquidation and the bridge bank. Both of these strategies present significant operational challenges and the potential for significant disruption in the case of large IDIs.

⁷ 12 U.S.C. 1823(c)(4)(A).

Payout. The FDIC conducts payout liquidations by paying insured deposits in cash or transferring the insured deposits to an existing institution or a new institution organized by the FDIC to assume the insured deposits.⁸ In payout liquidations, the FDIC as receiver retains substantially all of the failed IDI's assets for later sale, and the franchise value of the failed IDI is lost.

Bridge Bank. If the FDIC determines that continuing the operations of the failed IDI is less costly than a payout liquidation, it may organize a nationally-chartered IDI of limited duration (a bridge bank) to purchase certain assets and assume certain liabilities of the failed IDI, in what may be either an all-deposit transaction or a transaction in which the acquirer assumes only the insured deposits (an insured deposit only transaction). Once the FDIC has transferred assets from the failed bank to the newly established bridge bank, the FDIC will manage and operate the new institution, potentially for a significant length of time.

D. Challenges to Resolving CIDs

The FDIC's sole experience with resolving a failed institution over the current asset size threshold for a CIDI, Washington Mutual Bank, involved an all-deposit P&A transaction that resulted in no losses to the DIF. The availability of this low-risk, efficient resolution strategy cannot be assumed for future CIDI failures. The largest bank failure resolved by the FDIC without use of a P&A transaction was that of IndyMac Bank, a complicated resolution that caused significant losses for the DIF and posed considerable operational challenges. The overall risk profile associated with the size, complexity, and funding structure of some CIDs reduces the likelihood that they could be resolved through a P&A transaction, whether an all-deposit transaction or an insured deposit only

⁸ See 12 U.S.C. 1821(f), (m).

transaction. Further, these factors also present significant challenges to conducting a resolution involving use of a bridge bank. The purpose of IDI resolution planning is to prepare for the failure of such IDIs, with a focus on the challenges that resolution involving a bridge bank would entail.

1. Size

The size of a failing CIDI may restrict the FDIC's resolution options by significantly reducing the number of potential P&A acquirers. Certain CIDs may be too large to be acquired by any other open institution in a P&A transaction, due to legal limitations on liability concentration or operational or economic conditions.⁹ Alternatively, a failed CIDI's concentration within certain market areas may raise antitrust issues or otherwise preclude potential acquirers from bidding.

2. Complexity

Many CIDs exhibit a degree of complexity not found in smaller IDIs which the FDIC has usually resolved through use of a P&A transaction. This complexity manifests within the CIDI's operations and in its relationships with affiliates, counterparties, and the economy. CIDs generally operate multiple business lines, frequently involving affiliated, interconnected legal entities and extensive, geographically dispersed branch networks. Many CIDs rely on affiliate legal entities, foreign branches, or contractual counterparties to carry out one or more critical services necessary for continuing day-to-day operations. In addition, many CIDs conduct capital markets activities in multiple jurisdictions, and may participate in multiple payment, clearing, and settlement systems. These activities all rely on a larger workforce containing a higher number of specialized,

⁹ See, e.g. 12 U.S.C. 1852 (concentration limits on large financial firms).

key personnel than the typical IDI, and necessitate use of specialized management information systems for risk management, accounting, and reporting.

CIDI complexity presents challenges to resolution by P&A or bridge bank. Use of either resolution strategy generally requires separation of the CIDI from its parent and affiliate entities, including both organizational and contractual connections, in a manner that preserves the value and allows the continuation of the business of the CIDI either by a bridge bank or as a component of an acquirer's business. This task requires both a comprehensive understanding of these relationships and the capabilities to carry out a plan that effects such separation. Absent planning and preparation, CIDI complexity may present too great a challenge for any potential acquirer to value, especially in a time of financial distress or market disruption. Similarly, incomplete awareness of interconnectedness and key dependencies in the CIDI's organizational structure and the lack of arrangements necessary for organizational separation and operational continuity in resolution would greatly impact a bridge bank resolution, where the FDIC would be tasked with continuing these operations to avoid disruptions to depositors and to maximize value to the receivership in the ultimate disposition of the bridge bank.

3. Funding

Larger IDIs tend to rely to a greater extent than smaller IDIs on uninsured deposits and market funding. This funding structure impacts both the timing of a resolution and the availability of resolution options. Funding structures less reliant on insured deposits generally compress the failure timeline. Uninsured deposits and market funding are more likely to be withdrawn rapidly should an IDI exhibit signs of financial distress. While IDI failures resulting solely from capital inadequacy typically unfold over

months (or longer), a failure triggered by an IDI's lack of liquidity can arise much more quickly, requiring advance planning to facilitate an orderly resolution. Liquidity issues may also require the resolution to occur on a day other than Friday, which could further complicate the FDIC's ability to complete a successful resolution transaction.

A larger share of liabilities in the form of uninsured deposits makes an all-deposit transaction less likely because an assuming institution would need to pay a greater premium to effect an all-deposit transaction that satisfies the least costly resolution requirement. An insured deposit only transaction requires an insurance determination. While the FDIC's recordkeeping rule for timely deposit insurance determinations (described below) will improve the FDIC's ability to conduct such a determination for certain IDIs over the weekend following the IDI's closing, such a determination for a CIDI would still be complex and would be the largest in FDIC history.

The FDIC must also make determinations regarding the transfer of non-deposit liabilities in a P&A or bridge bank resolution. Some liabilities would be transferred to the acquirer or bridge bank, generally resulting in the counterparty receiving full payment and performance of those obligations, while other non-deposit liabilities would likely be left with the receivership, to be satisfied from any proceeds of the receiver's asset disposition efforts (including the ultimate disposition of a bridge bank, if this strategy is used) available for distribution after satisfaction of administrative and deposit claims. The FDIC must be in a position to estimate the value of these liabilities and determine which should be transferred. Settlement of claims left with the receiver requires advance planning and capabilities enhancement on the FDIC's part. The FDIC has an established process for receiving proofs of receivership claims and making final claims

determinations, but it has never utilized that process in a bridge bank resolution in excess of the size of IndyMac. The FDIC expects that a CIDI claims process would be significantly more complex.

E. Resolution Plan experience and recent developments

In the years following the 2008 financial crisis, the FDIC instituted several rulemakings that support its mission as deposit insurer to make timely insured deposit payments and as resolution authority to resolve a failed IDI in the manner that is least costly to the DIF. In addition to the current IDI Rule, these include Recordkeeping for Timely Deposit Insurance Determination (Part 370) and Recordkeeping Requirements for Qualified Financial Contracts (Part 371). These rules address certain of the difficulties the FDIC could face in the closing of a large, complex IDI. As noted in section II.A. above, changes to the Dodd-Frank Act enacted since issuance of the IDI Rule also warrant reconsideration of IDI resolution planning requirements.

1. Recordkeeping for Timely Deposit Insurance Determination (Part 370)

Part 370 requires covered institutions, IDIs with two million or more deposit accounts, to put in place mechanisms to facilitate prompt deposit insurance determinations. Covered institutions must (a) configure their information technology systems to be able to calculate the insured and uninsured portion of each deposit account by ownership right and capacity; and (b) maintain complete and accurate information needed by the FDIC to determine deposit insurance coverage for each deposit account. These requirements are designed to assist the FDIC in fulfilling its statutory mandate in promptly making insurance determinations, providing liquidity to insured depositors, and

administering the claims process for uninsured depositors. The capabilities to be implemented by CIDs subject to Part 370 would enhance the ability of the FDIC to conduct a resolution of any type, potentially reducing the importance of some Resolution Plan content relating to deposit accounts.

2. Recordkeeping Requirements for Qualified Financial Contracts (Part 371)

Part 371 requires institutions in troubled condition to keep enhanced records in standard format regarding their qualified financial contracts. This information would be used by the FDIC, were it appointed receiver, in making a determination of whether to transfer qualified financial contracts entered into by the failed institution within the brief statutory window. Part 371 provides significantly greater requirements for larger institutions in recognition of the informational and logistical needs that the FDIC, as receiver, would have as a result of the significant and more complex qualified financial contract portfolios that such institutions are likely to hold. This rule improves the ability of the FDIC to make a timely qualified financial contract determination, potentially reducing the scope of information and planning required to be included in a Resolution Plan relating to qualified financial contracts.

3. Changes to DFA Resolution Plan requirements under the Economic Growth, Regulatory Relief, and Consumer Protection Act

The filing threshold established in the IDI Rule was initially aligned to the filing threshold established by the Dodd-Frank Act for bank holding companies required to submit DFA Resolution Plans, and the IDI Rule was intended to complement the Dodd-Frank Act and the Section 165(d) Rule.

On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) was enacted. Among other changes, EGRRCPA raised the \$50 billion minimum asset threshold for general application of the resolution planning requirement of Section 165(d) of the Dodd-Frank Act to \$250 billion in total consolidated assets, and provided the Board of Governors of the Federal Reserve System with discretion to apply the resolution planning requirement to bank holding companies with total consolidated assets of \$100 billion or more, but less than \$250 billion. As noted in section II.A. above, while the resolution planning conducted pursuant to Section 165(d) of the Dodd-Frank Act and the resolution planning required by the IDI Rule are distinct in many ways, nevertheless this change in filing threshold warrants that the IDI Rule's \$50 billion threshold be revisited.

III. Request for comment

In light of the changes discussed and lessons learned, it is appropriate to review the IDI Rule requirements and consider certain updates. The FDIC is better prepared today to handle larger resolutions than it was during and in the immediate aftermath of the 2008 financial crisis. This is in part because of what has been learned through the resolution plan review process established by the IDI Rule and the complementary enhancements implemented through the issuance of Part 370 and the revisions to Part 371. In addition, seven years and multiple submissions from CIDs have allowed the FDIC to identify best practices and to contemplate ways to enhance the utility of information provided by CIDs. The FDIC feedback and guidance¹⁰ provided since issuance of the IDI Rule indicate that the FDIC's experience in administering the IDI

¹⁰ See, e.g., Guidance for Covered Insured Depository Institution Resolution Plan Submissions (Dec. 17, 2014), <https://www.fdic.gov/news/news/press/2014/pr14109a.pdf>.

Rule has led to overall changes in its expectations regarding the process, as well as the value it places on individual components required in the Resolution Plans.

Experience with the IDI Rule indicates that in many cases, the greatest value of resolution planning comes from the insights into each CIDI's idiosyncratic risk profile and information on the particular CIDI that the Resolution Plans provide, rather than the strategies that each CIDI develops for resolution. Further, the FDIC's experience shows that the distinctions among individual CIDs make certain elements called for in the IDI Rule more or less valuable, such that a one-size-fits-all approach may no longer be the best approach for specifying Resolution Plan content.

Moreover, the FDIC is aware of the considerable time and resources devoted by CIDs to meet the requirements of the IDI Rule, as well as the requirements of Parts 370 and 371. Given the cumulative experience of the Resolution Plan review process and the new capabilities required by Parts 370 and 371, revisions to the requirements of the IDI Rule are warranted.

The agency is seeking comment on a number of questions intended to determine how the IDI Rule could be streamlined and otherwise improved to support the FDIC's mandate to administer orderly and least-costly resolutions of CIDs while reducing the overall burden on CIDs.

The FDIC is soliciting feedback from the public on potential changes to the IDI Rule to:

- Create tiered groups to tailor the requirements of the IDI rule based upon size, complexity, and other relevant factors;

- Improve the content requirements of the IDI Rule, including through the modification of certain items;
- Under one alternative, for the larger, more complex CIDs, replace the requirement for a full resolution plan with two streamlined versions;
- Under a second alternative, maintain a single group of the larger, more complex global and regional CIDs and require them to provide streamlined Resolution Plan information targeted to their size, complexity, and other factors;
- For the smaller, less complex regional-sized CIDs, replace the requirement for a Resolution Plan with periodic engagement with the FDIC on certain specified resolution planning matters; and
- Reduce the frequency of requirements imposed by the IDI Rule.

This section III is divided into four parts, covering: tiered approach; content; engagement and capabilities testing; and frequency. In addition to the initial proposals within each part, more specific questions are provided.

The FDIC also seeks comments from interested parties on all aspects of its large IDI resolution planning activities and process, this ANPR, and the IDI Rule. Commenters are invited to respond to the questions presented and to offer comments, data, or suggestions on any other issues related to IDI resolution planning requirements, including developments in the industry or broader economy that may impact how the FDIC evaluates comments provided. Comments should be as specific as possible.

A. Tiered approach

1. Alternative One

The FDIC is considering revising the IDI Rule to provide for a tiered approach to resolution planning requirements. This tiered approach would comprise three groups:

- Group A CIDs: “Group A” would include the largest, most complex, internationally active IDIs. Due to the size of a Group A CIDI, the global nature of its business, the critical importance of its operations, and its interconnections with affiliates, resolution planning would be required. A P&A transaction with an assuming institution is highly unlikely. Therefore, preparation for the potential use of a bridge bank transaction is needed. A Group A CIDI would submit a streamlined Resolution Plan as discussed below under “Content.”
- Group B CIDs: “Group B” would include larger, more complex regional IDIs. Due to the size of a Group B CIDI, the complexity of its operations, or the specialized nature of its business, it may be unlikely that an assuming institution would be available to purchase the assets and assume the liabilities of the failed CIDI at the time of its failure. Resolution planning is necessary to assist the FDIC in marketing the institution or preparing to continue its operations in a bridge bank. Because these institutions do not share certain of the characteristics of the Group A CIDs, they would submit a further streamlined Resolution Plan as discussed below under “Content.”
- Group C CIDs: “Group C” would include smaller, less complex regional IDIs. Due to the relative lack of complexity of these institutions, there is a higher degree of likelihood that, given adequate advance preparation, an assuming

institution would purchase the assets and assume the liabilities of the institution at the time of failure. Advance resolution planning would be an important factor in the success of such a resolution transaction for an institution of this size and complexity, including whether a Group C CIDI could be successfully marketed to an assuming institution or would need to be resolved using a bridge bank. Group C CIDs would not be required to submit a Resolution Plan.

2. Alternative Two

As an alternative to the approach described immediately above, the FDIC is considering revising the IDI Rule to provide for a tiered approach comprising two groups:

- **Larger CIDs:** Group A and Group B CIDs (together, Larger CIDs) would be subject to a continuum of disclosure obligations for their Resolution Plan submissions based upon the size, complexity, and other factors of the specific IDI, instead of the two Groups having distinct informational requirements. Larger CIDs would be required to provide Resolution Plan information based upon their components of complexity,¹¹ as discussed below under “Content – Alternative Two.”
- **Group C CIDs:** Group C CIDs would not have a Resolution Plan filing requirement under either Alternative.

Under both Alternative One and Alternative Two, all CIDs subject to the IDI Rule would periodically engage with the FDIC on planning matters and undergo periodic

¹¹ Components of complexity include those features of an IDI which could have a bearing on its resolvability, triggering a corresponding informational requirement in the Resolution Plan.

capabilities testing to support the FDIC’s resolution planning efforts, as discussed below under “Engagement and capabilities testing.”

3. Solicitation for Input

The FDIC welcomes comments related to the tiered submission groups in response to these questions:

1. *As mentioned above, an IDI is currently subject to the IDI Rule if it has \$50 billion or more in total assets. How should the FDIC determine which institutions are subject to the IDI Rule? Should the FDIC continue to use a specific asset threshold? If so, what should the asset threshold be? Are there other specific metrics or criteria the FDIC should use? Are there specific metrics that measure complexity or risk that the FDIC should use?*

2. *Under both alternatives, how should the FDIC determine which CIDs are in which group? Are there specific metrics or criteria the FDIC should use? Should the FDIC rely solely on asset thresholds or should the FDIC use additional or other metrics to measure relative complexity and risk? If so, what are the other metrics? Should the FDIC consider a measure of funding structure impact on resolution as a metric? Should the FDIC endeavor to align the groups with the categories being proposed for bank holding companies under the Section 165(d) Rule?*

3. *What are the pros and cons of Alternative One and Alternative Two? Which approach should the FDIC implement, and why? Are there other variations of either approach that the FDIC should consider?*

4. *Under Alternative Two, the FDIC is considering approaching size, complexity, and other factors related to resolvability as they arise in individual*

components at each CIDI, such that a particular informational Resolution Plan element would not be required unless a corresponding metric crossed a threshold. Is this a useful way to consider resolvability? Why or why not?

5. *Is Alternative Two feasible? If so, what specific criteria should the FDIC consider for purposes of considering the size, complexity, and other factors related to resolvability of Larger CIDs and mapping such factors to content requirements?*

6. *Should the FDIC have discretion to move a CIDI to a different group based on specific characteristics of the CIDI? If so, what factors should the FDIC consider in making such a determination? Does the appropriateness of such a discretionary authority vary depending on whether the groups are distinguished by asset thresholds alone or in combination with other factors?*

B. Content

1. Alternative One

In line with the tiered approach to resolution planning requirements discussed in “Tiered Approach – Alternative One,” above, the FDIC is considering an approach whereby Resolution Plan requirements would align more closely to the size, complexity, and other factors of the subject CIDs. Content requirements would differ substantially between Group A and Group B CIDs. Group C CIDs would not be required to file a formal Resolution Plan. All CIDs would be required to periodically engage with FDIC resolution staff on certain specified resolution planning matters and would continue to be subject to capabilities testing, as discussed below under “Engagement and capabilities testing.”

Group A CIDs

Group A CIDs would be subject to all content requirements specified in the amended IDI Rule. The content requirements would be modified from those in the current IDI Rule.

The current IDI Rule requires CIDs to develop strategies for resolution of the CIDI, including a strategy to unwind its operations from the organizational structure of its parent¹² and a strategy for the sale or other disposition of the deposit franchise.¹³ Because the FDIC manages FDI Act resolutions, the FDIC is considering modifying these content requirements to clarify that the FDIC would develop the strategies and make the least cost test determination, with information provided by the CIDI.

The current IDI Rule also requires the CIDI to describe any contingency planning or other exercises undertaken to assess the viability of or to improve the resolution plan.¹⁴ Contingency planning is an important component of resolution planning, and one for which CIDs are an integral part. CIDs may not be in the best position, however, to assess their Resolution Plan, and the contingency planning exercises should not necessarily be seen as a reflection of the merit of the Resolution Plan submissions. Similarly, while there is value in confirming that a CIDI treats preparation of the Resolution Plan with the appropriate degree of commitment and level of attention, detailed information concerning the corporate governance structure for developing, approving, and filing the Resolution Plan may have limited relevance to the FDIC's resolution planning efforts.¹⁵ Information concerning how resolution planning is

¹² See 12 CFR 360.10(c)(2)(v).

¹³ See 12 CFR 360.10(c)(2)(vi).

¹⁴ See 12 CFR 360.10(c)(2)(xxi).

¹⁵ See 12 CFR 360.10(c)(2)(xx)(B) and (C).

integrated into the CIDI's corporate governance structure may be of greater utility.¹⁶ Accordingly, the FDIC is reconsidering these content requirements.

As noted above, it is expected that a Group A CIDI would participate in resolution planning through the DFA Resolution Plan filed by its parent or affiliate. That DFA Resolution Plan may include important analysis relating to the IDI, for example, interconnections and interdependencies among the parent company, the CIDI, and certain other subsidiaries that, if disrupted, would materially affect the CIDI's funding or operations.¹⁷

To promote efficiency and reduce burden, the FDIC is encouraging the use of incorporation by reference to DFA Resolution Plan filings where practicable. In the past, the FDIC also has encouraged CIDIs to eliminate content not required in a particular submission through incorporating such content by reference to the prior submission.

In the past, the FDIC has provided waivers on Resolution Plan informational content where appropriate. This practice could be expanded for Group A (and Group B) CIDIs.

Group B CIDs

The content requirements for a Group B CIDI would be further streamlined such that Group B CIDs would submit a subset of the Resolution Plan required of Group A CIDs. In addition to the content requirement modifications noted above, which would apply to both Group A and Group B CIDs, certain informational requirements may be less relevant for certain Group B CIDs due to their size, complexity, and other factors. The specific informational requirements would be determined in tandem with the

¹⁶ See 12 CFR 360.10(c)(2)(xx)(A).

¹⁷ See 12 CFR 381.4(g).

determination of the scope of the Group B CIDs, as discussed above under “Tiered approach.”

Group C CIDs

Group C CIDs would no longer be required to file a Resolution Plan.

2. Alternative Two

The FDIC is considering a second approach under which there would be no bright-line distinction with regard to the informational requirements for Larger CIDs. Under this approach, content requirements would exist along a continuum based upon the size, complexity, and other factors of the particular CID. This would naturally reduce plan content the most for CIDs who operate less complex franchises, versus the more structured approach outlined in Alternative One.

Informational requirements that may in particular be impacted could include: information concerning major counterparties of the CID;¹⁸ a description of off-balance-sheet exposures;¹⁹ information concerning the CID’s pledged collateral;²⁰ information on the CID’s trading, derivatives, and hedging activities;²¹ a description of the systemically important functions of the CID and its affiliates;²² and a description of cross-border elements of the CID’s operations.²³ The FDIC is considering modifying these content requirements for Larger CIDs for whom some of this information may be less material.

Informational requirements would be dictated by the components of complexity of the particular Larger CID. For example, a Larger CID which engages in significant cross-border operations would present the corresponding metrics for complexity that

¹⁸ See 12 CFR 360.10(c)(2)(ix).

¹⁹ See 12 CFR 360.10(c)(2)(x).

²⁰ See 12 CFR 360.10(c)(2)(xi).

²¹ See 12 CFR 360.10(c)(2)(xii).

²² See 12 CFR 360.10(c)(2)(xvii).

²³ See 12 CFR 360.10(c)(2)(xviii).

would trigger the requirement to include a robust discussion of those activities in its Resolution Plan.²⁴ This same institution may not have a significant qualified financial contract business or one that imposes significant risk on its business, and also may not provide systemically important functions.²⁵ Because those requirements relating to qualified financial contracts and systemically important functions would not be triggered, the Resolution Plan for this Larger CIDI potentially could provide streamlined content on these items, or would not be required to respond to the informational item. Further, the FDIC is considering describing in regulatory text the specific metrics it would use to determine which specific informational requirements would be required.

As under Alternative One, Group C CIDs would not file a Resolution Plan under Alternative Two. Also as under Alternative One, all CIDs subject to the IDI Rule would be required to periodically engage with FDIC resolution staff on certain specified resolution planning matters and would continue to be subject to capabilities testing, as discussed below under “Engagement and capabilities testing.”

3. Solicitation for Input

The FDIC welcomes comments related to content requirements in response to these questions:

7. *What are the costs and benefits of the current IDI plan content requirements?*
8. *What current aspects of the resolution planning requirements are the most burdensome for CIDs? Are there specific resolution planning requirements that*

²⁴ See id.

²⁵ See 12 CFR 360.10(c)(2)(xii) and (xvii).

commenters believe do not provide sufficient benefit to the FDIC to justify the cost, and if so, which ones and why?

9. *How should the FDIC consider the costs and benefits of requiring Resolution Plans from CIDs whose parent companies have adopted a single point of entry resolution strategy? What are the costs of requiring the submission of Resolution Plans for such CIDs, and what is the expected value of the benefits of such advanced planning in the event that a resolution of a CID is necessary for such an institution?*

10. *Are there specific requirements of the IDI Rule that may not be necessary for CIDs that have adopted a single point of entry resolution strategy specifically because they have adopted such a strategy?*

11. *Are there additional steps that the FDIC should take to remove duplication between the DFA Resolution Plans and the Resolution Plans for CIDs without reducing the effectiveness of each Plan? If so, what are they and why would taking such steps be appropriate?*

12. *What content requirements should be modified for Larger CIDs (under both Alternatives)? Why and in what manner?*

13. *What content requirements should be modified solely for Group B CIDs under Alternative One? Why and in what manner?*

14. *Are waivers useful to help streamline and customize the informational requirements for CIDs? Should the FDIC consider expanding the use of waivers, and if so how?*

15. *In Alternative Two, the FDIC is proposing to base informational requirements for the Larger CIDs upon the components of complexity for each such*

institution. Should the FDIC base the informational requirements off of the individual characteristics of the CIDI? Why or why not?

16. *Is there content not presently required by the IDI Rule that could improve the effectiveness of Resolution Plan submissions and resolution planning for all CIDs or for one or more Groups of CIDs?*

17. *Should the FDIC make any changes to help foster a transparent set of content requirements? What steps can the FDIC take to ensure transparency, while also exploring potential changes to the IDI Rule discussed above providing for a streamlined set of informational requirements based upon the nature of a CIDI's operations?*

18. *What changes (if any) should be required to the public portions of Resolution Plans to make the resolution planning process more transparent? Why?*

19. *Should the FDIC make any feedback letters it issues as part of the Resolution Plan process public? Why or why not?*

20. *What else should the FDIC consider that would tailor the burden involved in preparing and submitting Resolution Plan information without reducing the IDI Rule's effectiveness? Are there ways that the FDIC could use automated collection techniques or other forms of information technology to facilitate transmission of resolution planning information?*

C. Engagement and capabilities testing

1. Discussion

Engagement

The current IDI Rule requires each CIDI to make its personnel available to assist the FDIC in assessing the credibility of the Resolution Plan and the ability of the CIDI to

implement the Resolution Plan.²⁶ As discussed above, while the FDIC would retain a Resolution Plan submission requirement for Larger CIDs under both Alternatives, certain informational requirements may be modified or eliminated. Among those may be informational requirements related to resolution strategies, which would instead be developed by the FDIC using information it receives from the CIDI. Accordingly, the FDIC is considering modifying the IDI Rule's requirement related to access to personnel from facilitating the FDIC's assessment of the Resolution Plan to engaging with the FDIC to provide feedback on the development of the FDIC's resolution strategy for the particular CIDI. Areas of focus likely would include:

- Operational continuity (for example, critical services, back office applications, and key personnel retention);
- Disposition of the CIDI's franchise component(s) (including treatment of interconnections and dependencies);
- Management information systems reporting capabilities (that is, the CIDI's ability to provide key information needed for resolution when the institution is in financial distress and throughout resolution); and
- Liquidity needs and liquidity management practices (particularly significant off-balance sheet activities, large intraday needs, foreign currency dependencies, and international time-zone funding books).

The direct engagement with CIDI staff would provide an opportunity for the FDIC to solicit feedback on the resolution strategy it develops for the institution. It would provide an opportunity to identify gaps in the FDIC's understanding of the particular

²⁶ See 12 CFR 360.10(d)(1).

institution and its potential challenges in resolution. The FDIC could use this opportunity to explore how identified gaps could be mitigated through additional data and analysis, future Resolution Plan submissions, or additional resolution strategy development.

The format for this engagement could include in-person meetings between FDIC staff and personnel from the CIDI; requests for data and analysis; or other in-person or electronic outreach.

In the case of Larger CIDs, the engagement would cover the general informational requirements of their respective Resolution Plans. The FDIC would envision having an initial outreach session following the first Resolution Plan submission under the revised IDI Rule, followed by regular outreach sessions, in addition to any potential conditions-based supplemental resolution planning as discussed below under “Frequency – Conditions-based supplemental resolution planning.” The FDIC would also continue to make itself available to answer questions about Resolution Plan requirements.

For Group C CIDs, the requirement to submit a Resolution Plan would be eliminated; instead, the FDIC would engage in periodic resolution planning outreach with Group C CIDs in lieu of the submission. Due to the size, complexity, and operations of the Group C CIDs, it is expected that the outreach would cover a limited number of items such as:

- Information on the structure and core business lines (including segmented financial analysis);²⁷
- Information about critical services and providers of those services;²⁸ and
- Management information systems.²⁹

²⁷ See 12 CFR 360.10(c)(2)(ii).

²⁸ See 12 CFR 360.10(c)(2)(iii).

Capabilities testing

Additionally, all CIDs subject to the IDI Rule would continue to be subject to periodic capabilities testing.³⁰ Capabilities testing would be intended to verify the accuracy of the Resolution Plan information provided to the FDIC, in the case of CIDs that submit Resolution Plans, and the ability of the CIDI promptly to provide critical information if required to do so in exigent circumstances, in the case of all CIDs subject to the IDI Rule. The capabilities testing would also be tailored according to the size, complexity, and other factors of the CIDI, based on the tiers described above.

Examples of areas that could be covered through capabilities testing could include:

- Liabilities data.
- Operational continuity and bridge bank management: critical services; key personnel; subsidiaries and affiliates; key accounting processes; and key operational processes.
- Determination of franchise value: capability to produce marketing plan; segmented financial reporting; and due diligence room.

2. Solicitation for Input

The FDIC welcomes comments related to engagement and capabilities testing in response to these questions:

21. *What are the costs and benefits if the FDIC replaces the plan submission requirement with the engagement as described above for Group C CIDs?*

²⁹ See 12 CFR 360.10(c)(2)(xix).

³⁰ See 12 CFR 360.10(d)(2).

22. *If the FDIC engages with the CIDs to solicit their feedback on resolution strategies and plans developed by the FDIC, do commenters have specific recommendations regarding the format of that engagement?*

23. *The FDIC is considering undertaking regular capabilities testing to help ensure that a CIDI will be able to provide critical information promptly if called upon to do so in exigent circumstances. How should the FDIC approach testing of CIDI capabilities? For Group A CIDs and potentially some Group B CIDs, how should the FDIC approach such testing given the additional challenges posed by increased operational complexity? For Group C CIDs, how should the FDIC approach such testing given the relatively reduced level of operational complexity?*

24. *Should the FDIC conduct simulations with CIDs? If so, should any aspects of the simulations be made public?*

D. Frequency

1. Discussion

Larger CIDs

Currently, a CIDI is required to submit an initial Resolution Plan followed by a Resolution Plan submission on an annual basis, unless the submission date is extended by the FDIC. In recognition of the challenges associated with an annual resolution plan submission, over the last few submission cycles the FDIC has extended plan filing deadlines to provide generally at least two years between resolution plan submissions.

Under Alternative One, the FDIC is considering replacing the concurrent cycle with a staggered biennial/triennial cycle. Under this approach, Group A CIDs would submit Resolution Plans biennially and Group B CIDs would submit Resolution Plans

every third year. Under Alternative Two, Larger CIDs would submit Resolution Plans either biennially or triennially based on the characteristics of the CIDI.

The FDIC is also considering a schedule in which the filing cycle would alternate between Resolution Plan submissions and further streamlined content submissions (focusing, for example, on a subset of informational requirements).

Group C CIDs

Group C CIDs would no longer be required to submit Resolution Plans. Instead, the FDIC would engage with those institutions on certain resolution planning matters, as discussed above under “Engagement and capabilities testing.” That engagement would occur on a periodic basis, in addition to any conditions-based supplemental resolution planning as discussed immediately below.

Conditions-based supplemental resolution planning

While a CIDI is in a healthy, well-capitalized condition, the FDIC can reasonably limit its resolution readiness efforts to understanding and preparing for the general challenges that any type of failure or resolution of that CIDI would present. Once a CIDI begins to experience stress or becomes troubled, however, the particular circumstances surrounding these events may indicate a more specific and likely pathway to resolution. As these details become clear, the FDIC would need to quickly enhance its general readiness to resolve the institution to account for these actual circumstances. To ensure that the FDIC is prepared to resolve a CIDI, the FDIC is considering implementing supplemental resolution planning outreach and engagement if the FDIC determines that a CIDI is in stress or becomes troubled. The trigger could be linked to ratings, liquidity measures, market indicators, or other indicators.

Following such a triggering event, the FDIC would be able promptly to re-engage with the CIDI on resolution planning matters, even if the CIDI is not at the point in the cycle at which such engagement ordinarily would occur. The FDIC would retain discretion in determining whether to reengage with the CIDI following such a triggering event, depending on the condition of the CIDI. The conditions-based supplemental engagement would include the activities and subject matters described above under “Engagement and capabilities testing.” This would allow the FDIC to refresh its resolution strategy for the CIDI and update key data and analysis through direct engagement with the CIDI at the time when resolution planning and preparedness is most time-sensitive, useful, and cost-effective.

2. Solicitation for Input

The FDIC welcomes comments related to frequency in response to these questions:

25. *How frequently should the FDIC require Resolution Plan submissions from Larger CIDs under both alternatives? Under Alternative Two, what measures of complexity, risk, or other characteristics should be considered in determining a CIDI’s filing frequency?*

26. *How frequently should the FDIC conduct resolution planning outreach with Larger CIDs under both alternatives? How should this timeline coincide with the Resolution Plan submission timeline?*

27. *How frequently should the FDIC conduct resolution planning outreach with Group C CIDs?*

28. *What are the costs and benefits of requiring Larger CIDs to submit plans once every two/three years?*

29. *Should the FDIC consider a schedule of alternating between Resolution Plan submissions and streamlined content submissions (for example, focusing on a subset of informational requirements)? Why or why not?*

30. *Should the FDIC endeavor to sync the Resolution Plan submission timeline for CIDs with the timeline for DFA Resolution Plans for DFA Resolution Plan filers? If so, how?*

31. *Should the FDIC consider utilizing an ad hoc submission program with information regarding each pertinent content area due at various times throughout the submission cycle (similar to an ongoing large bank continuous examination program) instead of maintaining the requirement for a Resolution Plan submission due on a single date? Why or why not?*

32. *The FDIC is considering one or more conditions-based triggers to increase resolution planning engagement with a CID experiencing stress or in troubled condition. If the FDIC were to adopt such an approach, what condition-based trigger or triggers should the FDIC use, and why?*

Federal Deposit Insurance Corporation.

By order of the Board of Directors.

Dated at Washington, DC, on April 16, 2019.

Valerie Best,

Assistant Executive Secretary.

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